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31 March 1989
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MEMORANDUM FOR THE RECORD

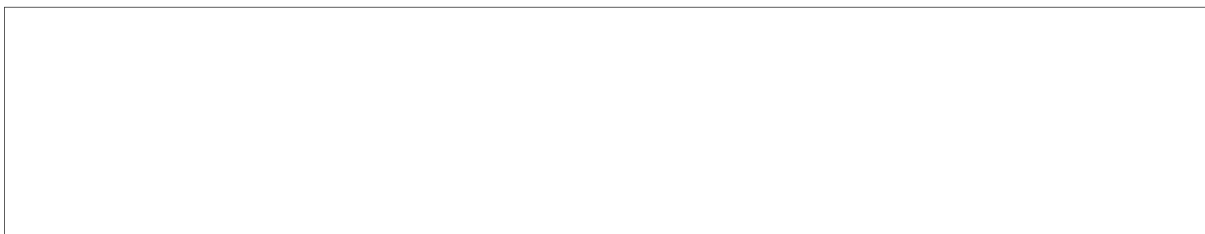
SUBJECT: Briefing on Undergraduate Training Program

1. On 29 March 1989, [] OCA and I met with Calvin Humphrey, a staffer on the House Intelligence Committee, to discuss the impact of a recent Internal Revenue Service decision on the Agency's Undergraduate Training Program.

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2. We explained that the IRS has determined that the GS-2 salary the Agency pays these students is taxable as income. Moreover, the students hardest hit are those now receiving room and board as well as those at the most expensive schools. We anticipate that those receiving room and board will find a tax bite of \$950-1800, while new students may only feel a pinch of \$300-700 for the expensive schools if § 127 of the Internal Revenue Code is amended. The pinch for those attending cheaper schools should be minimal if § 127 is amended. The cost to the Agency is not significant; we expect to pay an additional \$15,000 for FY89 to cover the tax bite and \$30,000 for FY90. I stressed that these figures were very rough and that the Agency is still in the beginning stages of developing the appropriate numbers and possible options. Also, the Congress has not yet begun work on the two bills pending which would reinstitute the \$5250 exclusion. It may turn to these bills later in the year.

3. Mr. Humphrey is well aware of the problem and said the committee wishes to fix it; the question is how. We stressed the Agency is exploring options to do so, but has not yet decided how it will proceed. I stated that I wanted to be able to give the Office of Personnel some guidance as to what the committee finds satisfactory in terms of options and which it may find distasteful, in order to avoid any problems in implementation.

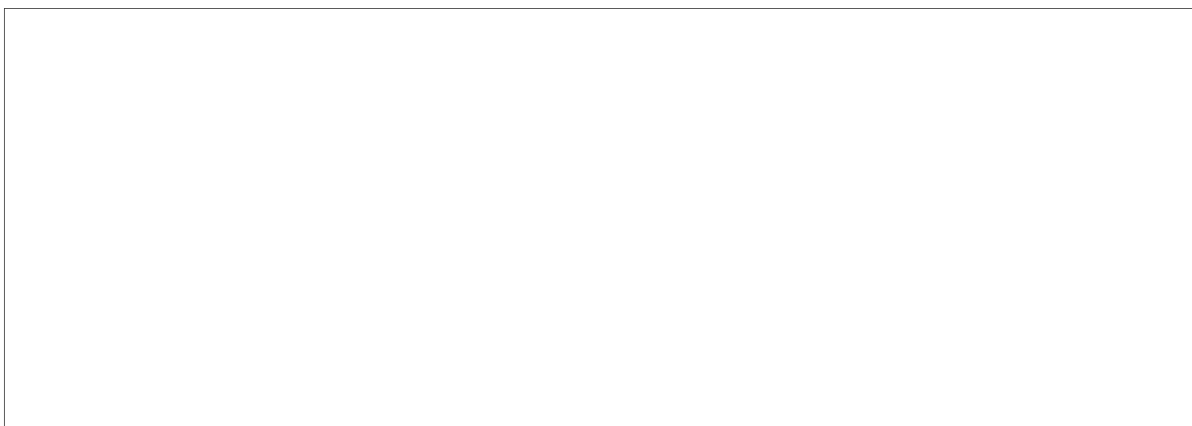


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6. The meeting was a positive one. Mr. Humphrey said that the committee is in total agreement with the Agency that this is a problem which requires addressing and wants to work with the Agency in doing so. He did ask for the average amount the Agency now spends per student, [redacted] We told him we did not have that figure at hand, believing it would vary widely depending on the school attended, but would telephone him with that information.

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OCA/LEG, [redacted] (31Mar89)

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